

UNITED STATES  
AND EXCHANGE COMMISSION  
Washington, D.C. 20549

VF3-5-03

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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8- 44347

**FACING PAGE**  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING JANUARY 1, 2002 AND ENDING DECEMBER 31, 2002  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
WINSLOW, EVANS & CROCKER, INC.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
33 BROAD STREET

OFFICIAL USE ONLY
FIRM I.D. NO.

	(No. and Street)	
BOSTON	MA	02109
(City)	(State)	(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
ROBERT MALONEY 617-227-4300  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
LIBERFARB & SUSSMAN CERTIFIED PUBLIC ACCOUNTANTS

(Name - if individual, state last, first, middle name)			
11 VANDERBILT AVENUE	NORWOOD	MA	02062
(Address)	(City)	(State)	(Zip Code)

- CHECK ONE:
- ☒ Certified Public Accountant
  - ☐ Public Accountant
  - ☐ Accountant not resident in United States or any of its possessions.

PROCESSED  
MAR 20 2003  
THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

MAR 19 2003

## OATH OR AFFIRMATION

I, ROBERT MALONEY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of WINSLOW, EVANS & CROCKER, INC., as of DECEMBER 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Signature

PRESIDENT

Title

Notary Public

Carolyn B. Bergen  
My Commission Expires  
September 3, 2004

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**WINSLOW, EVANS & CROCKER, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

# LIBERFARB & SUSSMAN

CERTIFIED PUBLIC ACCOUNTANTS

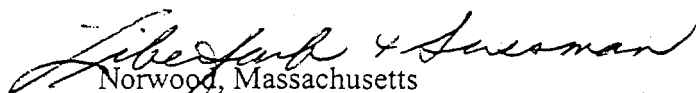
11 Vanderbilt Avenue, Suite 220, Norwood, MASSACHUSETTS 02062  
Tel. (781) 255-8800 Fax (781) 255-9217  
E-Mail: LANDSCPAS@AOL.COM

To the Board of Directors of  
Winslow, Evans & Crocker, Inc.

We have audited the accompanying statement of financial condition of Winslow, Evans & Crocker, Inc. as of December 31, 2002 and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Winslow, Evans & Crocker, Inc., as of December 31, 2002, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

  
Norwood, Massachusetts  
January 28, 2003

**WINSLOW, EVANS & CROCKER, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2002**

**ASSETS**

Cash	\$ 60,554
Deposits with clearing organizations	150,000
Receivable from broker-dealers and clearing organizations	371,400
Marketable securities	329,318
Due from related entity	70,546
Furniture and equipment, at cost, less accumulated depreciation of \$100,238	70,047
Deferred tax asset	6,418
Other assets	150,720
	<u>\$ 1,209,003</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Liabilities:	
Payable to broker-dealers and clearing organizations	\$ 7,974
Commissions payable	173,260
Accounts payable, accrued expenses, and other liabilities	133,997
	<u>315,231</u>

Stockholders' equity:

Common stock, \$.10 par value, 200,000 shares authorized, 12,963 shares issued and outstanding	1,296
Additional paid-in capital	850,990
Retained earnings	41,486
Total Stockholders' Equity	<u>893,772</u>
	<u>\$ 1,209,003</u>

The accompanying notes are an integral part of these financial statements.

**WINSLOW, EVANS & CROCKER, INC.**  
**STATEMENT OF INCOME**  
**For the Year Ended December 31, 2002**

Revenues:

Commissions	\$ 3,687,116
Principal transactions	1,960
Interest and dividends	47,763
	<u>3,736,839</u>

Expenses:

Employee compensation and benefits	804,556
Floor brokerage, exchange and clearance fees	2,031,028
Interest	4,655
Occupancy	119,094
Other expenses	632,703
	<u>3,592,036</u>

Income before income taxes	144,803
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Provision for income taxes	<u>36,535</u>
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Net Income	<u><u>\$ 108,268</u></u>
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The accompanying notes are an integral part of these financial statements.

**WINSLOW, EVANS & CROCKER, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**For the Year Ended December 31, 2002**

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance at January 1, 2002	\$ 1,283	\$ 801,003	\$ (66,782)	\$ 735,504
Net Income			108,268	108,268
Additions of capital	13	49,987		50,000
Balance at December 31, 2002	<u>\$ 1,296</u>	<u>\$ 850,990</u>	<u>\$ 41,486</u>	<u>\$ 893,772</u>

The accompanying notes are an integral part of these financial statements.

**WINSLOW, EVAN & CROCKER, INC.**  
**STATEMENT OF CHANGES IN LIABILITIES**  
**SUBORDINATED TO CLAIMS OF GENERAL CREDITORS**  
**For the Year Ended December 31, 2002**

Subordinated borrowings at January 1, 2002	\$ 100,000
Decreases:	<u>100,000</u>
Subordinated borrowings at December 31, 2002	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

**WINSLOW, EVANS & CROCKER, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2002**

Cash flows from operating activities:

Net Income	\$ 108,268
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	27,769
Increase in Deposits with clearing organizations	(50,000)
Decrease in Receivable from broker-dealers	86,390
Increase in Marketable securities	(176,866)
Decrease in Due from related entity	4,873
Increase in Other assets	(80,308)
Increase in Payable to broker-dealers and clearing organizations	7,669
Increase in Commissions payable	81,320
Increase in Accounts payable, accrued expenses	<u>28,015</u>

Total adjustments	<u>(71,138)</u>
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Net cash provided by operating activities	37,130
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Cash flows used for investing activities

Purchase of equipment	(32,804)
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Cash flows from financing activities

Proceeds from capital additions, net	<u>50,000</u>
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Net increase in cash	54,326
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Cash at January 1, 2002	<u>6,228</u>
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Cash at December 31, 2002	<u><u>\$ 60,554</u></u>
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Disclosure of accounting policy:

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of these financial statements.

# **WINSLOW, EVANS & CROCKER, INC.**

## **Notes To Financial Statements**

**For the Year Ended December 31, 2002**

### **NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Organization and Nature of Business:

The Company began operations April 15, 1992, it conducts its broker/dealer business with customers through other broker/dealers on a fully disclosed basis. Related commission revenue and expenses are recorded on the settlement date basis.

Securities transactions of the Company are recorded on the settlement date basis.

#### Marketable Securities:

Marketable securities are valued at market, with the resulting difference between cost and market value included in income. For the year ended December 31, 2002 there were unrealized losses of \$2,513.

#### Property and Equipment

Property and equipment are recorded at cost. The cost of maintenance and repairs is charged to income as incurred. Major improvements to property and equipment are capitalized. Depreciation is computed using the accelerated method over the estimated useful lives of the assets.

#### Income Taxes:

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and for net operating loss carryforwards, measured by enacted tax rates for years in which taxes are expected to be paid or recovered.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**WINSLOW, EVANS & CROCKER, INC.**

**Notes To Financial Statements, Continued**

**For the Year Ended December 31, 2002**

**NOTE 2 - NET CAPITAL**

As a broker dealer, the Company is subject to the Securities and Exchange Commission's regulations and operating guidelines, which require the Company to maintain a specified amount of net capital, as defined, and a ratio of aggregate indebtedness to net capital, as derived, not exceeding 15 to 1. The Company's net capital as computed under 15c3-1, was \$563,346 at December 31, 2002, which exceeded required net capital of \$100,000 by \$463,346. The ratio of aggregate indebtedness to net capital at December 31, 2002 was 55.96%.

**NOTE 3 - RELATED PARTY TRANSACTIONS**

The Company has advanced \$70,546 to Fin-Net Corporation, a related company. The majority shareholder of Fin-Net Corporation is a minority shareholder in this Company. At December 31, 2002 the amount due from this entity was in dispute.

**NOTE 4 - OFF-BALANCE-SHEET RISK AND CONCENTRATION OF CREDIT RISK**

The Company's customers' securities transactions are introduced on a fully disclosed basis with its clearing broker/dealers. The clearing broker/dealers carry all of the accounts of the customers of the Company and are responsible for execution, collection of and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker/dealers may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers and that customer transactions are executed properly by the clearing broker/dealer.

**NOTE 5 - EMPLOYEE BENEFITS**

The Company has a 401(k) savings plan, which covers all employees meeting minimum age and service requirements. The Company at its discretion may match employee contributions to the plan. For the year ending December 31, 2002, only administrative fees were incurred by the Company.

**NOTE 6 - LITIGATION**

The Company is involved in litigation arising in the ordinary course of business. In the opinion of management, the potential liability resulting from such litigation will not exceed \$ 15,000. The Company has accordingly made such an accrual.

**WINSLOW, EVANS & CROCKER, INC.**

**Notes To Financial Statements, Continued**

**For the Year Ended December 31, 2002**

**NOTE 7 – INCOME TAXES**

Deferred income taxes (benefits) are provided for temporary differences existing in the recognition of unrealized gains and losses on investments for tax and financial statement purposes, as well as for net operating loss carryforwards.

Income tax expense (benefit) consisted of the following:

Taxes currently payable:	
State	\$ 1,535
Deferred tax expense	
Federal	21,000
State	<u>14,000</u>
Total	<u>35,000</u>
Income tax expense	<u>\$ 36,535</u>

**NOTE 8 – PROPERTY AND EQUIPMENT**

As of December 31, 2002 major classes of property and equipment consisted of the following:

Computer equipment	\$ 80,261
Furniture and fixtures	<u>90,024</u>
	170,285
Less: Accumulated depreciation	<u>100,238</u>
	<u>\$ 70,047</u>

Depreciation expense for 2002 was \$27,769.

**WINSLOW, EVANS & CROCKER, INC.**

**Notes To Financial Statements, Continued**

**For the Year Ended December 31, 2002**

**NOTE 9 – LONG TERM LEASES**

The Company leases office and storage space at the rate of \$ 10,130 per month. The lease expires October 31, 2004. The accompanying financial statements include rent expense of \$ 119,094, which is net of sub-lessee income of \$ 13,111.

The Company also leases telephone equipment at the rate of \$ 4,717 per quarter. The lease expires June 30, 2003. The Company subleases the telephone equipment to other non-related tenants in the building, to help recoup part of its operating costs.

Future minimum lease payments for these non-cancelable operating leases at December 31, 2002 are as follows:

Year ended December 31,	
2003	\$ 130,988
2004	<u>101,295</u>
	<u>\$ 232,283</u>

**NOTE 10 – ADDITIONAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid during the year for:

Interest	\$ 4,655
Income Taxes	\$ 1,792

**WINSLOW, EVANS & CROCKER, INC.**

**SUPPLEMENTARY SCHEDULES**

**DECEMBER 31, 2002**

# LIBERFARB & SUSSMAN

CERTIFIED PUBLIC ACCOUNTANTS

11 Vanderbilt Avenue, Suite 220, Norwood, MASSACHUSETTS 02062

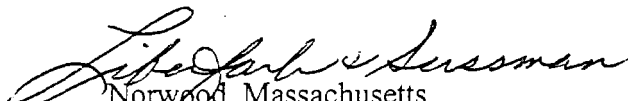
Tel. (781) 255-8800 Fax (781) 255-9217

E-Mail: LANDSCPAS@AOL.COM

## **Independent Auditor's Report on Supplementary Information Required by Rule 17a-5 of the Securities and Exchange Commission**

To the Board of Directors of  
Winslow, Evans & Crocker, Inc.

We have audited the accompanying financial statements of Winslow, Evans & Crocker, Inc. as of and for the year ended December 31, 2002, and have issued our report thereon dated January 28, 2003. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Norwood, Massachusetts  
January 28, 2003

**SCHEDULE I**  
**WINSLOW, EVANS & CROCKER, INC.**  
**COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL**  
**PURSUANT TO RULE 15c3-1**

**DECEMBER 31, 2002**

Aggregate indebtedness:

Payable to broker-dealers and clearing organizations	\$ 7,974
Commissions payable	173,260
Accounts payable, accrued expenses	<u>133,997</u>

Total aggregate indebtedness	<u><u>\$ 315,231</u></u>
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Net capital:

Common stock	\$ 1,296
Additional paid-in capital	850,990
Retained earnings	<u>41,486</u>
	893,772

Adjustments to net capital:

Other assets	(157,138)
Due from related entity	(70,546)
Furniture and equipment, net	(70,047)
Haircuts	<u>(32,695)</u>
Net capital, as defined	<u><u>\$ 563,346</u></u>

Net capital requirement	\$ 100,000
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Net capital in excess of requirements	\$ 463,346
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Ratio of aggregate indebtedness to net capital	55.96%
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Reconciliation with the Company's computation  
(included in Part II of Form X-17A-5) as of December 31, 2002

Net capital, as reported in the Company's Part II A (unaudited)	
Focus Report	\$ 569,048
Net audit adjustments	-
Increase in non-allowables and haircuts	<u>(5,702)</u>
Net capital per above	<u><u>\$ 563,346</u></u>

**SCHEDULE II**

**WINSLOW, EVANS & CROCKER, INC.**

**COMPUTATION FOR DETERMINATION OF  
RESERVE REQUIREMENTS FOR BROKER-DEALERS UNDER  
RULE 15C3-3 OF THE SECURITIES EXCHANGE ACT OF 1944**

**DECEMBER 31, 2002**

The Company is exempt from the reserve requirements of Rule 15c3-3 as its transactions are limited such that they do not handle customer funds or securities, accordingly, the computation for determination of reserve requirements pursuant to Rule 15c3-3 and information relating to the possession or control requirement pursuant to Rule 15c3-3 are not applicable.

# LIBERFARB & SUSSMAN

CERTIFIED PUBLIC ACCOUNTANTS

11 Vanderbilt Avenue, Suite 220, Norwood, MASSACHUSETTS 02062  
Tel. (781) 255-8800 Fax (781) 255-9217  
E-Mail: LANDSCPAS@AOL.COM

## **Independent Auditor's Report on Internal Control Required by Rule 17a-5**

To the Board of Directors of  
Winslow, Evans & Crocker, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Winslow, Evans & Crocker, Inc. (the Company), for the year ended December 31, 2002, we considered its internal control, including control activities for safeguarding securities in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customers securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons
2. Recordation of differences required by Rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

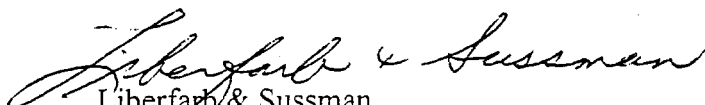
The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objective of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations on internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projections of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weakness as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe the Company's practices and procedures were adequate at December 31, 2002, to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC, the National Association of Securities Dealers, Inc. and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

  
Liberfarb & Sussman  
Norwood, Massachusetts  
January 28, 2003